

DECLASSIFIED

**PA/HO Department of State  
E.O. 12958, as amended  
June 21, 2006**

**DECLASSIFIED**

Authority NN 469046  
By NC NARA Date 5/7/02



*Department of State*

# TELEGRAM

XR Pol 15-1 Iran

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ACTION SS-25

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FM AMEMBASSY TEHRAN  
TO SECSTATE WASHDC 9079

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EXDIS

PASS TREASURY FOR DIXON

PASS WHITE HOUSE FOR MRS. DAVIS

SUBJ: SECRETARY CONNALLY'S CONVERSATION WITH SHAH OF IRAN

1. SUMMARY: SECRETARY CONNALLY MET WITH HIM JULY 8. SHAH EXTENSIVELY REVIEWED PROBLEMS OF AREA, WITH PARTICULAR EMPHASIS ON DANGERS SAME AS AFFECTING IRAN. SECRETARY CONNALLY, IN TURN, VOICED HIS OBSERVATIONS DERIVED FROM VISITS TO DACCA, NEW DELHI AND ISLAMABAD, AMONGST OTHER CAPITALS VISITED. HIM DWELT ON RECENT OIL AGREEMENT, EXPRESSING CONCERN FOR REPORT FROM PRINCE SAUD THAT ARAMCO OFFER OF SETTLEMENT HAD UNDERCUT HIS LEADERSHIP. DRAFT NOT CLEARED BY SECRETARY CONNALLY. END SUMMARY.

2. SECRETARY CONNALLY AND I MET WITH HIS IMPERIAL MAJESTY IN SAADABAD PALACE AT 1130 HRS. ON JULY 8. THE CONVERSATION WHICH ENSUED LASTED FOR A LITTLE OVER TWO HOURS, FOLLOWED BY A LEISURELY LUNCHEON. FOREIGN MINISTER KHALATBARY AND FIANCE MINISTER AMUZEGAR JOINED IN TH AUDIENCE TOWARD THE END OF THE INITIAL CONVERSATION AND ALSO WERE GUESTS AT THE AFOREMENTIONED LUNCHEON THAT FOLLOWED.

3. HIM INITIATED THE CONVERSATION BY EXPRESSING HIS APPRECIATION FOR SECRETARY CONNALLY'S VISIT AND NOTED HIS BELIEF THAT THE SECRETARY'S PRESENCE, COMING AS A SOCIAL ENVOY OF PRESIDENT NIXON, COMPLEMENTED THE

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PRESIDENT'S STATE VISIT MAY 30-31. HIM THEREUPON SUGGESTED TO SECRETARY CONNALLY THAT IT MIGHT SERVE A USEFUL PURPOSE IF HE (HIM) UNDERTOOK A REVIEW OF THE PROBLEMS EXTANT IN THE NEAR EAST, INCLUDING THE RIPARIAN AREAS OF THE GULF, AND HIS CRITICAL CONCERNS WHICH AROSE THEREFROM. THE SHAH THEREUPON FOR A PERIOD OF APPROXIMATELY ONE HOUR STEERED THE CONVERSATION THROUGH A CATHOLIC TOUR D'HORIZON TOUCHING ON THE USSR, IRAQ, SAUDI ARABIA, KUWAIT, BAHRAIN, THE UAE, PAKISTAN AND AFGHANISTAN. THE COMMENTS OF THE SHAH WERE IN ALL RESPECTS IN KEEPING WITH THOSE HE HAS PREVIOUSLY MADE ON NUMEROUS OCCASIONS AND HERETOFORE REPORTED IN DEPTH. FROM AN INTELLIGENCE STANDPOINT NOTHING NEW EMERGED EXCEPT THE FURTHER REAFFIRMATION OF THE SHAH'S CONCERN FOR WHAT HE TERMS "MAJOR THREATS" TO THE SECURITY OF IRAN AND HIS DESIRED MILITARY REQUIREMENTS TO BALANCE THE SAME. IN THE COURSE OF HIS CONVERSATION, HOWEVER, HE DID DISCLOSE:

(A) THAT USSR HAD INVITED HIM FOR A STATE VISIT DURING THE MONTH OF SEPTEMBER; HE DID NOT DISCLOSE, HOWEVER, WHETHER OR NOT HE HAD ACCEPTED, AND

(B) THAT THE EMPRESS WOULD VISIT CHINA IN LATE SEPTEMBER. (THIS HAS BEEN REPORTED BY SEPTEL.)

4. SECRETARY CONNALLY REITERATED THE SENTIMENTS EXPRESSED BY PRESIDENT NIXON DURING THE STATE VISIT AND VOICED HIS OWN APPRECIATION FOR THE PRESENTLY AFFORDED AUDIENCE WITH HIM. AFTER APPROPRIATE COMMENTS ON THE MATTERS LENGTHILY DISCUSSED BY HIM, THE SECRETARY SUGGESTED THAT IT MIGHT BE USEFUL FOR THE SHAH'S ADDITIONAL UNDERSTANDING OF THE PROBLEMS OF THE SUBCONTINENT TO MAKE NOTE OF CERTAIN OBSERVATIONS DERIVED FROM HIS RECENT STOPS IN DACCA, NEW DELHI AND ISLAMABAD. (THE SUBJECTS DISCUSSED WITH SHEIKH MUJIBUR RAHMAN, INDIRA GANDHI AND ZULFIKAR ALI BHUTTO HAVE BEEN REPORTED SEPARATELY.) IN ESSENCE THE THRUST OF THE CONVERSATION WAS THAT THE SECRETARY FELT GUARDED OPTIMISM BOTH FOR THE FUTURE OF BANGLADESH AND FOR THE HOPE OF PEACE IN THE SUBCONTINENT AS AN OUTGROWTH OF THE SIMLA ACCORD.

5. AT THIS JUNCTURE I MADE MENTION OF THE FACT THAT I HAD BEEN PLEASED TO CONVEY TO HIM THE LETTER FROM PRESIDENT NIXON WHICH EXPRESSED APPROBATION FOR THE MANNER AND RESULT OF THE RECENT ACCORD WHICH HAD BEEN WORKED OUT BETWEEN

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HIS MAJESTY'S GOVERNMENT AND THE OIL CONSORTIUM (STATE 120017). THE SHAH ACKNOWLEDGED THE VALUE WHICH HE ATTACHED TO THE RECEIPT OF THIS COMMUNICATION AND THE THOUGHTFULNESS WHICH PROMPTED IT. HE SAID, HOWEVER, THAT AS OF AN HOUR BEFORE OUR ARRIVAL HE HAD RECEIVED CERTAIN DISCOURAGING AND DISTRESSING INFORMATION FROM MINISTER AMUZEGAR AND HE SAID THAT HE WOULD LIKE FOR US TO HEAR DIRECTLY FROM AMUZEGAR WHAT HAD BEEN TOLD TO HIM HERETOFORE. THE FOREIGN MINISTER AND FINANCE MINISTER JOINED THE GROUP AND THE CONVERSATION CONTINUED, CONCLUDING WITH LUNCHEON. MINISTER AMUZEGAR STATED THAT HE HAD TALKED TO PRINCE SAUD THAT MORNING AND HAD BEEN INFORMED THAT ARAMCO HAD OFFERED YAMANI AND THE OPEC GULF GROUP SETTLEMENTS ON A NUMBER OF POINTS INVOLVED IN PARTICIPATION WHICH WERE CONSIDERABLY MORE GENEROUS THAN THOSE ON THE SAME POINTS IN THE FORTHCOMING GOI/CONSORTIUM AGREEMENT. BEFORE THE MINISTER COULD BEGIN A DESCRIPTION OF THESE DIFFERENCES, THE SHAH INTERRUPTED TO SAY THAT HE DID NOT BELIEVE THE COMPANIES WOULD DO THIS. HOWEVER, HE CONTINUED, THIS IS A CAUSE FOR CONCERN BECAUSE, ALTHOUGH IRAN'S INTERESTS ARE PROTECTED BY MOST FAVORED NATION ARRANGMENTS WITH THE CONSORTIUM, SHOULD ARAMCO YIELD TO THE ARABS' INTRANSIGENCE THIS COULD MAKE THEIR TACTICS SEEM MORE EFFECTIVE THAN THE MODERATION AND REASONED NEGOTIATION WHOSE APPARENT SUCCESS AT ST. MORITZ HAD ENHANCE THE EFFECTIVENESS OF THE SHAH'S LEADERSHIP OF THE PRODUCING NATIONS AS PRESIDENT NIXON HAD ACKNOWLEDGED. UNDERMINING THE SHAH AS A SYMBOL OF THE SUCCESSFULNESS OF REASON AND COOPERATION BETWEEN PRODUCING NATIONS AND COMPANIES WOULD ENCOURAGE THE IRRESPONSIBLE RADICALS IN OPEC. THE SECRETARY AND I BOTH TOLD HIM THAT WE HAD NO INDICATION THAT ARAMCO HAD DONE ANYTHING OF THE SORT. THE SHAH THEN DIRECTED THE MINISTER OF FINANCE IMMEDIATELY TO MAKE EVERY EFFORT TO CONFIRM OR DENY SAUD'S REPORT. I TRIMBLE, CONSORTIUM ACTING CHAIRMAN AND GENERAL MANAGING DIRECTOR, HAS SINCE TOLD US THAT AMUZEGAR HAS ASKED HIM TWICE ABOUT THIS AND THAT HE HAD USED INFORMATION SUPPLIED BY ARAMCO TO REASSURE AMUZEGAR THAT THE EVENTUAL SETTLEMENT WILL NOT EMBARRASS IRAN.

6. AS THE LUNCHEON WAS CONCLUDED SECRETARY CONNALLY AGAIN EXPRESSED HIS APPRECIATION FOR THE OPPORTUNITY OF AN AUDIENCE WITH HIM AND REAFFIRMED THE CLOSE CONTINU-

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ING FRIENDSHIP WHICH EXISTED BETWEEN THE US AND IRAN.  
HIS MAJESTY, IN TURN, ON HIS PART ACKNOWLEDGED SIMILAR  
SENTIMENTS.

FOR THIS COMMUNICATION WAS NOT PREPARED BEFORE SECRETARY  
CONNALLY'S DEPARTURE AND THEREFORE WAS NOT CLEARED BY  
HIM.  
FARLAND